



CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

Congressman Jim Saxton
Ranking Republican Member

PRESS RELEASE

For Immediate Release
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**FED RATE CUT IMPROVES
PROSPECTS FOR
ECONOMIC GROWTH**

-- Tax Incentives for Investment also Needed --

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Contact: Christopher Frenze
Republican Staff Director
(202) 225-3923

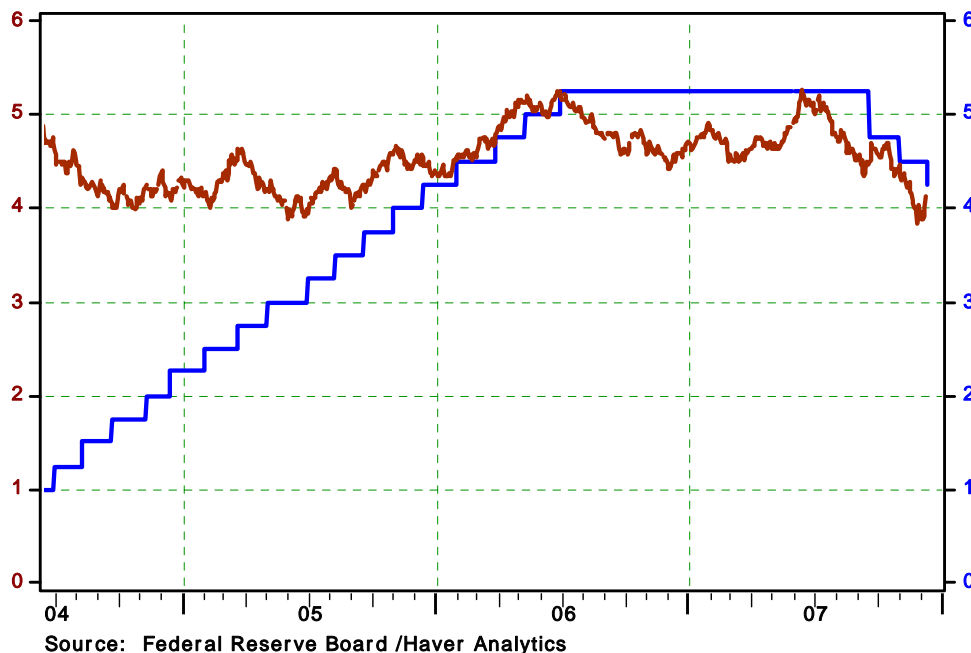
WASHINGTON, D.C. – The Federal Reserve’s decision to reduce the fed funds rate by 25 basis points to 4.25 percent will reduce the spread between short- and long-term interest rates and improve financial conditions, Joint Economic Committee ranking member Jim Saxton said today. Currently the fed funds rate is above the 10-year Treasury rate, suggesting relative tightness in monetary policy. When short-term interest rates have persistently exceeded long-term rates in the past, the resulting inversion has often been associated with economic slowdowns and recessions. Saxton made the following statement on the Fed’s actions today:

“Short-term interest rates have been above long-term interest rates for much of the last year. Despite this situation, the economy has expanded strongly in the last two quarters, but is expected to slow significantly in this quarter and the next as lenders tighten credit standards. Today, the Fed took appropriate action to reduce short-term interest rates closer to the levels of long-term rates, thus easing monetary policy.

“However, the Fed should not have to bear the whole burden of dealing with a slowing economy on its own. Congress should act with tax legislation to increase expensing of business investment to boost capital spending. The Fed has reduced the cost of credit, and additional expensing for investment would be a complementary way to boost the economy.”

10-Year Treasury Note Yield at Constant Maturity
Avg. % p.a.

Federal Open Market Committee: Fed Funds Target Rate
%



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